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C O N F I D E N T I A L SANTIAGO 000253

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TAGS: PREL PGOV SOCI CI

SUBJECT: PRESIDENT-ELECT BACHELET TASKS CABINET TO BEGIN WORK ON PRIORITY ISSUES FOR FIRST 100 DAYS

REF: A. SANTIAGO 00218

1B. SANTIAGO 00203

1C. 05 SANTIAGO 02495

1D. SANTIAGO 00130

Classified By: Deputy Chief of Mission Emi L. Yamauchi.

Reasons: 1.4 (b and d).

11. (C) Summary: President-elect Michelle Bachelet delivered to her cabinet on January 31 the priority initiatives for the first 100 days of her administration. Bachelet subsequently told the press that her cabinet had until February 20 to review the initiatives and identify creative ways to implement them. One important issue not mentioned in the press reporting of the meeting: a constitutional amendment that would pave the way for Chile to ratify the International Criminal Court (ICC). End summary.

Bachelet's First 100 Days

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12. (U) President-elect Michelle Bachelet convoked the 20 members of her cabinet on January 31 (one day after announcing their selection - refs. A-B) to discuss priorities for the first 100 days of her administration. (Paragraph 6 contains a summary of Bachelet's 36-point plan.) During the meeting, Bachelet reportedly divided the cabinet into five groups (political, social, economic, infrastructure, and cities/territories) and outlined her policy initiatives in these respective areas. The 36-point plan mentions strengthening Chile's English-language capabilities -- a priority for the current Lagos Administration and the Embassy. Other initiatives include several items Bachelet highlighted during the campaign: increasing employment; strengthening public security (including the establishment of a Ministry of Public Security Ministry); healthcare reform; and expanding educational opportunities. Subsequently, Bachelet told the press that her cabinet had until February 20, when she is expected to return from summer vacation, to review the initiatives and develop creative ways to implement them.

Paying for It: No New Taxes

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13. (U) Bachelet's social program is directed toward the poorest sectors of Chilean society with an estimated cost of approximately USD 6 billion over four years. The President-elect has said she intends to "stay the course" in terms of deepening economic growth, preserving stability and providing greater social protection. Andres Velasco, Bachelet's Finance Minister-designee, has said Bachelet's

social programs will be "completely financed" by projected economic growth, copper revenues, export diversification, and greater government oversight of tax evasion. The Bachelet administration will not raise taxes, but will maintain the 19 percent value-added tax (IVA). Velasco will maintain a practice initiated by Chile's current Finance Minister, Nicolas Eyzaguirre, to save an amount equal to one percent of GDP every year in an emergency reserve fund.

Comment

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¶4. (C) Several of Bachelet's initiatives are continuations of programs begun by President Lagos. That they are well-developed and already in motion is one of the main reasons why they stand a good chance of being implemented early during Bachelet's administration. Another factor working in Bachelet's favor: for the first time since the return to democracy in 1990, the Concertacion coalition will have a majority in Congress beginning in March (Concertacion will have 20 of the 38 senators, and 65 of the 120 deputies - ref. c). As a result, those policy initiatives requiring approval by a simple majority in Congress (e.g. establishment of new ministries) are likely to sail through with little difficulty. Others, such as changes to the binomial electoral system and other reforms requiring constitutional amendments, will require more than a simple majority. In these cases, Bachelet and her supporters in Congress will also need the support of some members of the center-right Alianza opposition. This will be no small task, given Alianza's track record in voting as a bloc, and the opposition's already stated concerns about Bachelet's planned increased spending on "social" programs.

¶5. (C) One issue of direct importance for the U.S.-Chile bilateral relationship, which was not included in the public list of Bachelet's early priorities: a congressional amendment that would pave the way for Chile to ratify the International Criminal Court (ICC). GOC officials have told us that President-elect Bachelet, like President Lagos, supports ICC ratification. Whether the Bachelet administration and the incoming Concertacion-controlled Congress will maintain the Lagos administration's current position (i.e. continue to defer further action on the ICC to give the U.S. and Chile time to work out an acceptable arrangement to avoid the cut-off of military assistance under the American Servicemembers' Protection Act) is not clear. At least one senior GOC official (Minister of Defense Ravinet) recently predicted that the new Congress would pass a congressional amendment shortly after Congress and Bachelet assume office on March 11 (ref. d).

Bachelet's 36-Point Plan

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¶6. (U) Bachelet's 36-point plan was summarized in the February 1 edition of one of Chile's leading dailies ("El Mercurio") and is consistent with the initiatives she outlined during the presidential campaign. Following is a summary:

(A) Employment

¶1. Increase to 25 the maximum age to qualify for government-funded training; raise the subsidy to half of the minimum wage (Post note: The minimum wage is currently 127,500 CH pesos, or approximately USD 245 per month.)

¶2. Introduce legislation allowing the government to pay part of the pension contributions for low-income, younger workers holding formal contracts.

¶3. Allow young workers to work on an hourly basis.

(B) Social Security

¶4. Increase the lowest pensions, using the 300 million-pesos budget surplus.

15. Provide older adults immediate access to welfare.

16. Introduce legislation providing that family benefits and subsidies be provided directly to the mother; provide subsidies for the care of handicapped and elderly.

(C) Education

17. Provide financing to cover the cost of preschool for the poorest 40 percent of children under three years old.

18. Establish 20,000 new pre-kindergarten slots, and 800 new daycare centers.

19. Expand the existing program of government financing to semi-private and public schools, particularly those in the poorest parts of the country.

10. Increase from 110,000 to 160,000 the number of students who can benefit from loans and scholarships for higher education.

11. Consolidate the existing university scholarship programs into a single national program that provides funding for tuition, housing and food expenses.

12. Allow students to repay student loans by working in "service to the country" projects in one of Chile's 13 regions.

(D) Women's Issues

13. Announce a Code of Good Labor Practices and Non-Discrimination in the public sector.

14. Introduce legislation guaranteeing access to daycare for children of working mothers.

(E) Health

15. Establish 60 community centers for family health care.

16. Increase to 40 the number of illnesses covered under Plan Auge (President Lagos' initiative to provide health care to all Chileans).

17. Guarantee free hospital care for citizens 60 years old and older.

(F) Public Security

18. Establish a Ministry of Public Security to coordinate government agencies and policies related to the prevention and control of crime.

19. Add 1500 additional policemen (Carabineros) per year, with a focus on the areas where they are most needed.

20. Provide a subsidy up to 50 percent of the minimum wage for one year in order to attract at-risk youth to the workforce.

(G) Enterprise and Competitiveness

21. Support entrepreneurs by establishing a dedicated window to facilitate issuing of licenses, on-line training, accounting services, and facilities to obtain credit.

22. Introduce legislation simplifying the Chilean internal revenue service process for opening small and medium enterprises.

23. Require the government to pay suppliers of goods within 30 days.

24. Introduce legislation that would increase penalties for "economic" (i.e. white-collar) crimes and double the

resources for oversight.

¶25. Establish a fund to allow individuals over the age of 40 who lose their jobs to retrain themselves, study in another field, or open small businesses.

(F) Preparing for Globalization

¶26. Require university students who are studying to be English teachers to spend at least one semester in an English-speaking country, at government expense.

¶27. Establish an exchange program to allow English teachers from other countries to teach English in Chile.

¶28. Establish a program to send the 1000 top university graduates abroad to earn doctoral degrees at the best universities.

(G) Environment

¶29. Name a Minister of Environment.

¶30. Initiate an urban renewal program, identifying 200 neighborhoods to improve.

(H) Regions

¶31. Implement a "Greater Employment Plan" in Chile's three largest port cities: Valparaiso, Talcahuano, and San Antonio. (Post note: all three cities have high unemployment and crime rates, as well as large informal sectors.)

¶32. Establish new regional development offices in Chile's 13 regions.

(I) Military Service

¶33. Begin transition to a professional, voluntary army; increase the number of professional soldiers to 2000; and increase the number of female volunteers to 1000.

¶34. Establish a "civic service" program as an alternative to obligatory military service.

(J) Strengthened Democracy

¶35. Replace the binomial electoral system with a system that provides greater competition, governability and representation

¶36. Make electoral registration automatic for individuals 18 years and older.

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